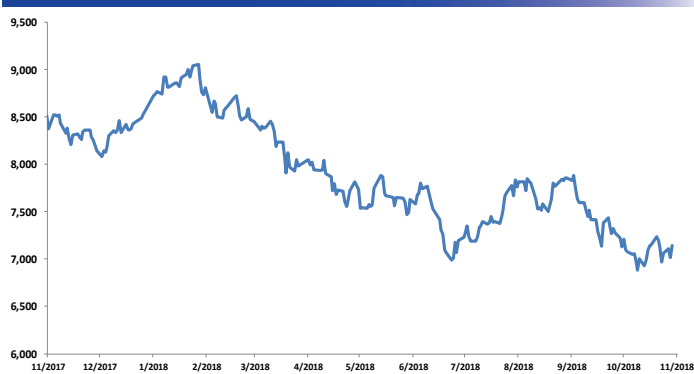


Heavy Data Week

October 29 - November 2, 2018

PSEi 2018 Performance



Weekly PSEi Performance

	As of Oct. 31, 2018	W-o-W Change	YTD Change	Weight In the Index
PSEi	7,140.3	1.1%	-16.6%	-
FMETF	107.5	1.6%	-15.2%	-
All Shares	4,370.5	0.9%	-12.4%	-
Financials	1,607.9	2.8%	-27.9%	17.7
Industrial	10,648.8	1.2%	-5.2%	12.4
Services	1,462.6	0.1%	-9.7%	11.1
Property	3,495.5	0.0%	-12.1%	20.2
Holdings	7,003.5	0.7%	-18.7%	37.7
Mining & Oil	9,572.1	1.7%	-16.8%	0.9

Market Statistics (in Php bn)

	Oct. 31, 2018	YTD
Ave. Daily Value Turnover	5.1	6.7
Foreign Buying	8.6	658.6
Foreign Selling	9.7	755.0
Net Foreign Buying/(Selling)	(1.1)	(96.4)
% of Foreign to Total	59	51

Foreign Indices

	Value	W-o-W	YTD	P/E
Dow Jones	25,270.8	2.4%	2.2%	15.8
S&P 500	2,723.1	2.4%	1.8%	16.7
FTSE 100	7,094.1	2.2%	-7.7%	12.6
DAX	11,519.0	2.8%	-10.8%	12.6
Nikkei	22,243.7	5.0%	-2.3%	15.7
Hang Seng	26,486.4	7.2%	-11.5%	11.1
Shanghai	2,676.5	3.0%	-19.1%	11.0

Sources: PSE data, Bloomberg

Equities Outlook

Outlook. The PSEi may test 7,300-7,400 amid expectation of favorable October inflation (November 6, estimate steady at 6.7%), third quarter GDP print (November 8, estimate at 6.3% from 6% in the second quarter) and amid reporting of corporate earnings this week led by index stocks ALI and GLO on November 6; MPI, ICT, SM, AEV, and AP on November 7, and TEL on November 8. Out of ten companies that reported their third quarter results as of today, two were ahead of consensus (i.e. MER and GLO), one was in-line (i.e. SMPH), and seven were behind (i.e. BDO, RRHI, SECB, URC, CHP, HLCM and BEL).

Market Review. The PSEi gained 73.1 points yesterday (+1% from Friday) to end at 7,213.3. Last week, the local bellwether tracked the global markets upswing, climbing by 76 points last week (+1.1% week-on-week, w/w) to close on Friday at 7,140.3 amid month-end window dressing. Nonetheless, the index dropped for the second straight month in October, down 136.5 points or -1.9% month-on-month (m/m), albeit an improvement from September's huge 7.4% m/m decline. YTD, the PSEi has shed 16.6% of its value. Net foreign buying totaling P228.7mn was recorded last Friday after 44 straight trading sessions of net outflows, bringing the weekly net outflows to just P1.1bn. YTD net foreign selling totaled P96.4bn.

- All markets that we follow were gainers last week led by Hong Kong (+7.2% w/w), India (+5%) and Tokyo (+5%) amid positive sentiment from news of a potential US trade deal with China. YTD, Nasdaq (+6.6%), India (+2.8%) and DJIA (+2.2%) were the only gainers, while China (-19.1%), the Philippines (-16.6%) and South Korea (-15.1%) were the top underperformers.
- Likewise, Philippine peso tracked regional currencies' strength last week, gaining 0.2% w/w, to end on Friday at P53.53/\$. For October, the peso recovered from September by 0.9% at month-end after two consecutive months of weakness.
- Foreign investors bought SMC, SM, DMC, JFC and BDO last week for an aggregate net inflows of P676.3mn, while sold SMPH, MBT, ALI, BPI and MPI for a combined amount of P995mn. YTD, only MER, GLO, URC and TEL have recorded net foreign inflows totaling P8.5bn, while SM, BPI, BDO, AC and MBT have the largest net outflows amounting to P41bn.

Economic News

Philippine Statistics Authority (PSA) reported that headline inflation came in steady at 6.7% year-on-year (y/y) in October, in line with consensus of 6.7% and within BSP's forecast of 6.2-7%, but faster than Department of Finance's (DOF) projection of 6.5%. On a m/m basis, headline inflation decelerated to 0.3% after posting two consecutive months of 0.9% increase. Meanwhile, core inflation picked up to 4.9% in October from 4.7% in the previous month. Food prices slightly eased to 9.2% in October from September's 9.7% due to slower price upticks in corn, meat, fruits and vegetables, albeit rice prices quickened to 10.7% from previous month's 10.4% increase. Nonetheless, food inflation significantly improved to just 0.1% m/m from around 0.7-1.9% growth from June-September. Meanwhile, faster price upticks were seen in six of the 11 commodity groups led by heavy-weights housing, water, electricity, gas and other fuels (+4.8% from +4.6% in September); transport (+8.8% from +8%); and restaurants, miscellaneous goods, and services (+4.2% from +4%). Meanwhile, analysts expect third quarter Philippine GDP to clock in between 5.8-6.7% y/y, with median estimate at 6.3%, buoyed by strong government spending and robust investments. This is slightly faster than the second quarter's 6% growth, but a significant slowdown from 7.2% expansion in the same period last year. We (house view) expect third quarter GDP to settle at 6.1% due to poor agriculture performance after typhoon Ompong ravaged Luzon's farmlands.

BSP reported that domestic liquidity (M3) eased for the the fourth straight month in September to 9.7% y/y (P11.1trn) from 10.4% in August, tracking the aggressive contractionary stance of the BSP which raised policy rates by 150 bps since May 2018. Likewise, domestic

lending slowed to 17.2% y/y (net of RRP) in September from 18.8% a month ago due to slight deceleration in loans for productive activities (+17.2% from August's 19.1%) which comprised 92% of total banking loans. Nonetheless, lending for key sectors continued to grow double-digit led by financial and insurance (+31.4%), wholesale and retail trade (+22.5%), manufacturing (+20.6%), real estate (+15.8%) and electricity, gas and steam (+10.6%). Consumer loans also recovered, up 17.9% y/y from previous month's 15.8% expansion, due to acceleration in motor vehicle loans (+21.1% from August's +16.7%) and steady credit card loans (+21.9% from August's +22%).

Corporate News

Security Bank Corporation (SECB) posted a net income of P2.2bn in the third

quarter (+5% y/y). This resulted in a YTD net earnings of P6.5bn (-11% y/y), or 70% of the consensus net income of P9.3bn. The decline in profit for the first nine months of the year was mainly attributed to the 57% decrease in trading gains to P627mn and a 73% increase in provision for income tax to P769mn. Nonetheless, net interest income from customer loans and deposits rose 30% to P11.3bn, while service charges, fees and commissions grew 23% to P2bn. Net interest margin in the third quarter increased by 11 bps to 3.3%. Operating expenses expanded by 13% (excluding provisions for credit and impairment losses). SECB announced the Board's approval on October 30 to pay cash dividends of P1.50 per common share, representing regular semestral cash dividend of P1 per share and special cash dividend of P0.50/share with record date on November 19. SECB closed yesterday at P146.10/share, down 41.7% YTD.

Index Performer (Year-to-date)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
SMC	171.00	53%	15.2	SECB	144.40	-43%	10.2
MER	367.80	12%	19.2	GTCAP	760.00	-39%	9.1
GLO	2,090.00	10%	15.2	AEV	47.00	-36%	10.4
JFC	276.00	9%	33.7	JGS	47.30	-34%	12.5
RLC	20.95	2%	13.5	MBT	65.55	-32%	9.3

Index Performer (Week-on-Week)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
DMC	12.84	7%	9.9	PGOLD	40.55	-3%	15.5
BDO	122.40	6%	14.2	GTCAP	760.00	-3%	9.1
SCC	27.95	5%	7.3	FGEN	15.62	-3%	5.5
AEV	47.00	4%	10.4	RRHI	75.80	-3%	18.1
SMC	171.00	4%	15.2	SMPH	33.80	-2%	27.3

Top Weekly Net Foreign Buying/Selling (Index Components, in Pnp mn)

Top Foreign Buying		Top Foreign Selling	
SMC	217.5	SMPH	-332.6
SM	171.2	MBT	-176.8
DMC	100.2	ALI	-168.4
JFC	98.9	BPI	-161.5
BDO	88.6	MPI	-155.7

Commodities (in USD)

	Value	W-o-W	YTD
Gold (per troy ounce)	1,232.9	-0.1%	-5.4%
Nickel (per metric tons)	11,930.0	0.3%	-6.5%
Copper (per lbs)	280.7	2.4%	-16.2%
WTI (per barrel)	63.1	-6.6%	4.5%
Sugar (per lbs)	13.4	-2.9%	-14.3%
Rice (per cwt)	10.7	-0.3%	-8.4%

Market Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
11/05/2018	11/06/2018	11/07/2018	11/08/2018	11/09/2018
PH: Nikkei Philippine PMI Mfg (Oct)	PH: Inflation (Oct)	PH: External Trade (Sep) and Forex Reserves (Oct) CH: Forex Reserves (Oct)	PH: Q3 GDP US: Initial Jobless Claims (Nov 3)	
11/12/2018	11/13/2018	11/14/2018	11/15/2018	11/16/2018
		CH: Retail Sales (Oct) and Industrial Production (Oct) US: CPI (Oct)	PH: MB Policy Meeting and OFW Remittances (Sep) US: Retail Sales (Oct) and Initial Jobless Claims (Nov. 10)	